



The Senate
State of Hawaii

STATE CAPITOL
HONOLULU, HAWAII 96813

OPENING DAY REMARKS *by Senate President Robert Bunda*
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Aloha and welcome to the 2005 Regular session of the Hawaii State Legislature.

My friends, it's been a while since we've convened in an atmosphere of optimism about our economy. As we open our session, the national economy is strong and our local economy is enjoying steady growth fueled by tourism, construction, defense spending and agriculture. Each new quarterly report on tax revenues seems to validate confidence in our future.

But while we here in the Legislature may have reason to feel optimistic, what is the mood of people working to make a living beyond these chambers? Do our immediate concerns over a balanced budget line up in any way with the concerns of parents balancing their family checkbook? Perhaps, in this period of a relatively stable economic outlook, we legislators should look beyond the necessary but predictable legislative agenda. We will soon examine various proposals to deal with our traffic problems, our inadequate supply of affordable housing, environmental challenges and continued educational reform, to name a few.

Perhaps we need to adopt a guiding principle that will unify us in our work this session. A mantra, if you will. One that will help to put our work in perspective and make it more relevant to those who elected us. Rather than suggest it outright, let me illustrate it through the story of one individual living here in the islands. For the moment, let's just call him "M".

"M" is a young local boy who married his high school sweetheart. They have a six-year-old son, with another child on the way. Both he and his wife have to work full-time just to make ends meet. Skyrocketing gas prices only made things worse -- and then, last month, their landlord told them he was raising their rent for the New Year. Their food bill is also rising, in spite of trips to Costco and Wal-Mart. They rent an apartment in Leeward Oahu and have been putting away a little each month to buy a house. They thought that was within reach and started to look at homes in central Oahu early last year. Then home prices went through the roof. With a second child on the way, "M" and his wife were faced with a tough choice: do they continue to chase their dream of owning their own home, or begin the long task of saving for college tuition?

And that's where we have to leave them. It's an unfinished story that will not attract much attention, nor grab headlines. It never does. It's a story that's not dramatic enough. It is not tragic. It is not heroic. In fact, you could almost say it's downright mundane. But you know what? It's a story we can all empathize with and one we all share. Because the story of "M" is the story of "Most" of us.

We are the great majority --- the, quote/unquote, middle class. Even that classification doesn't engender much excitement. But it's a story whose time has come. Whether we are talking about the carpenter building a home in Mililani or the office worker in Lihue.

All of us here in the Senate come from various backgrounds, and a few of us even belong to a different party, but we have one very important thing in common, we are solidly middle-class citizens. We have bills and taxes to pay, most of us have to save to put our children through college, and some of us are paying to support our aging parents. We are part of the mainstream of middle class citizens that advocate family values and value community service as a civic duty. Our personal story should be reflected in our decision-making as legislators -- for that is representative government at its best.

We are a nation of immigrants, and Hawaii is one of its most successful models. Since the middle of the last century, government in Hawaii has a history and tradition of looking out for the little guy -- the guy on the bottom rung. We have a responsibility and duty to continue to do that, and we will, invoking the best of our traditions in Hawaii -- the Aloha Spirit.

But something else has transpired here over the last several generations. As a society, we have by-and-large succeeded through the politics of inclusion. The children, grandchildren and great grandchildren of our immigrant forefathers are now a part of our middle class majority. In the process, they have changed the face of Hawaii. Unfortunately, we in government have been slow to respond to the needs of this changing population. A very broad cross section of our population has for a very long time been feeling the pinch --- the pinch of being left out of the picture.

Does this sound familiar? You don't qualify for government assistance, whether it's for food, housing, higher education or tax relief. But, as a taxpayer, you shoulder the bulk of the cost of society, whether it's paying for highways, schools or sewer lines. Two recent studies show that the majority of Hawaii's working families is falling victim to an income gap where income levels are not keeping pace with the cost of living. Your grocery bill is 52% more expensive than the national average. Gasoline is 32% more expensive than on the mainland. And Hawaii's housing prices are more than double the national average.

How can government help you, even while we are taking care of those who still need to be brought into our circle of inclusion? For most of us, education was our ticket to upward mobility. In today's fast changing, technology-driven world, education continues to be the key to success for our children.

Last session, we carefully approved major educational reform -- not change for change sake -- but real reform towards more efficient and effective governance of our school system,

including the repair and maintenance of our school facilities. Now, we must continue our efforts to put more power into the hands of those who have the best working knowledge of the system—the superintendent, who in turn, is able to delegate more authority to principals who ultimately empower our teachers in the classroom. While our schools prepare our students for college, middle-class parents are bracing themselves for the cost of higher education. With tuition increases a certainty at the University of Hawaii next year, we must ensure access to scholarships and tuition waivers to help our local families.

Government can also help those in the middle by making it easier for them to go to and from work. And while potholes need to be filled, it is not only potholes that are slowing down and tying up traffic. A solution to our transportation problems on all islands has eluded us for many years. Every attempt has fallen short, despite the best efforts of many people.

Therefore, I am proposing the formation of a statewide transit authority to oversee the development, financing, construction, and operation of a mass transit system in each county. The shape that the system would take for each island might differ. But a statewide transit authority would provide the financial muscle, coordination, and intrastate cooperation that would bridge differences in philosophy and geography, to bring tangible solutions to our communities. With the participation of each county, the transit authority would provide the forum and bear the ultimate responsibility for finding transportation solutions for each island. Whether it's rail or otherwise, there is one thing that we all know: Our traffic woes will not remain status quo, and neither can our response.

Perhaps our greatest challenge is to provide adequate housing for our people, particularly our middle class families. Currently, only about 55% of our residents own their own homes. That ranks Hawaii as the third lowest state in the country when it comes to homeownership.

During the interim, the Senate Task Force on Affordable Housing toured the state for a first-hand look at the issue and will be proposing initiatives this session to help our first-time homebuyers. We need to provide, not just hope for them, but definitive actions that will bring homeownership within their reach.

But in the long run, the price of a home is a function of supply and demand. Here in Hawaii, with a scarcity of land, we are essentially talking about supply. That is why we need to look closer at how we make lands for home construction available, even as we provide safeguards to protect the natural beauty of these islands.

In 1978, the people of Hawaii approved a constitutional amendment to preserve and protect agriculture. All lands were categorized or zoned, based on its most appropriate use. The Land Use Commission was established to oversee land use issues. But that was 27 years ago. Times and this State have changed, and so have the needs of our families.

Is the Land Use Commission functioning in the best interest of our people today? Are the zoning categories doing what they were meant to do? Do some of its functions belong more appropriately with the counties? I think it's time for a major and comprehensive review, to look for better ways to provide housing for our people while protecting the aina.

Finally, and perhaps most importantly, I firmly believe we need to review the tax burden of our citizens in the middle.

Also established by a constitutional amendment, the Tax Review Commission is mandated to periodically review our overall income tax structure. In its last report to the Legislature in 2002, the Commission once again recommended increases in both the standard deduction and personal exemptions. As the Commission critically stated, our State income tax brackets are so compressed that people on public assistance pay income taxes while the highest marginal rate for married taxpayers filing jointly begins when their taxable income reaches \$80,000.

Today, the median income of a family of four in Hawaii, with both parents working, is around \$70,000 a year. If that same middle-class family earned a mere \$900 more a month, they would be taxed in the same bracket as a family with an annual income of \$900,000!

Let me put it to you another way: Two experienced school teachers with a combined taxable income of \$80,000 would be taxed at the same rate as one of our top CEOs. This is simply not fair. Maybe it's time for a tax cut for the middle class. Maybe it's time to review the entire system.

By adjusting the brackets upward, we would not only bring our tax laws more in line with economic realities in Hawaii but it could also provide long-term tax relief to our middle-income families. This brings me back to my point at the beginning of this speech -- the mantra that should guide us in our decision making. We need to grow and protect our middle class.

If we don't address all of these needs — the needs of the majority — we in Hawaii will become increasingly a society of haves and have-nots. Even now, we are seeing signs that we are fast becoming a playground for the world's ultra rich. The multi-million dollar homes once limited to Oahu's Kahala Avenue have been joined by equally expensive homes on Maui, Kauai, and the Big Island.

At the other end of the spectrum, if we do nothing, many will slip out of the economic middle class and become part of the have-nots, placing an even greater burden on government. They are the ones who have fallen between the cracks and who do not qualify for a wide range of government and private assistance programs. They are the ones lost in the invisible middle ground of our society.

We have an opportunity to remove existing impediments, so that they can earn a decent living, make a home for their families, and provide quality education for their children...so that their children, too, can confidently pursue the American dream, and know that it is attainable — not only by heroic measures, but by measures achievable by all of us.

Mahalo and Aloha.